

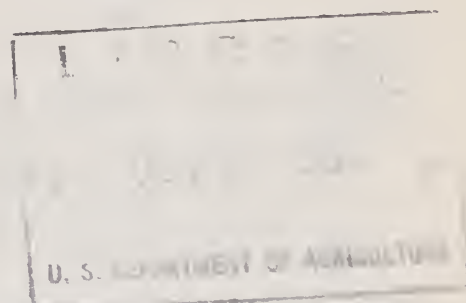
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1955

The DEMAND and PRICE SITUATION

DPS-19



Approved by the Outlook and Situation Board, September 19, 1955

SUMMARY

Crop output this year is likely to total the second largest of record despite the deterioration of crop prospects during August. Drought and heat sharply reduced yields of corn, soybeans, and grain sorghums in the Western Corn Belt and the Central Great Plains, according to the Crop Report of September 1, 1955. Storms and floods also caused smaller losses to tobacco, vegetables, and other crops in some Eastern areas. Even so, with record output of live-stock products, combined production of farm products in 1955 may total about 3 percent above the record outturn of 1954.

Prices of farm products so far this year averaged about 4 percent below the first 8 months of 1954. Price declines in July and August were fairly general, reflecting big supplies as well as seasonally heavy marketings of some products. While seasonal price declines may occur for some commodities, it appears that much of the general price adjustment to increased supplies this season has taken place.

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1954		1955			
		Year	Aug.	May	June	July	Aug.
Industrial production <u>1/</u>							
Total.....	1947-49=100	125	123	138	139	139	140
All manufactures.....	do.	127	125	140	141	141	142
Durable goods.....	do.	137	135	153	155	155	158
Nondurable goods.....	do.	116	114	127	128	126	126
Minerals.....	do.	111	109	121	123	120	120
Total outlay for new construc- tion <u>2/</u>	Million dollars	37,577	3,199	3,531	3,506	3,491	3,462
Residential.....	do.	13,496	1,192	1,366	1,358	1,372	1,344
Total civilian employment <u>3/</u>	Million	61.2	62.3	62.7	64.0	65.0	65.5
Nonagricultural.....	do.	54.7	55.3	55.7	56.3	57.3	58.0
Unemployment.....	do.	3.2	3.2	2.5	2.7	2.5	2.2
Income:							
Nonagricultural payments <u>2/4/</u> #...	Bil. dol.	271.9	271.5	286.6	287.2	291.1	
Production-worker payrolls <u>5/</u> #...	1947-49=100	137.7	134.8	150.1	152.1	151.5	156.0
Weekly earnings of production- workers in manufacturing <u>5/</u> ...	Dollars	71.86	71.06	76.30	76.11	76.36	77.11
Durable.....	do.	77.01	76.59	82.78	82.19	82.21	83.83
Nondurable.....	do.	64.58	64.68	67.32	67.83	67.89	67.83
Prices:							
Wholesale prices, all com- modities <u>5/</u>	1947-49=100	110	110	110	110	110	111
Commodities other than farm and food.....	do.	114	114	116	116	116	117
Farm.....	do.	96	96	91	92	90	88
Food, processed.....	do.	105	106	102	104	103	102
Prices received by farmers <u>6/</u> #...	1910-14=100	249	249	244	243	237	233
Crops.....	do.	243	248	255	244	238	228
Livestock and products.....	do.	255	249	234	242	237	237
Prices paid, interest, taxes and wage rates <u>6/</u>	1910-14=100	281	281	282	282	281	279
Items used in living.....	do.	274	277	274	274	274	273
Items used in production.....	do.	252	250	251	250	248	247
Parity ratio.....		89	89	87	86	84	84
Consumer price index <u>5/</u>	1947-49=100	115	115	114	114	115	
Food.....	do.	113	114	111	111	112	
Government purchases of goods and services <u>2/ 7/</u> #.....	Billion dollars	77.0			74.9		
Federal (less Government sales).. State and local.....	do.	49.2			45.2		
	do.	27.8			29.7		

Annual data for the years 1929, 1932 and 1935-54 appear on page 41 of the April 1955 issue of The Demand and Price Situation.

1/ Federal Reserve Board.

2/ U. S. Department of Commerce.

3/ Bureau of the Census.

4/ Monthly totals seasonally adjusted at annual rates.

5/ U. S. Department of Labor, Bureau of Labor Statistics.

6/ U. S. Department of Agriculture, Agricultural Marketing Service.

7/ Quarterly totals seasonally adjusted at annual rates.

Revised series.

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Prices paid by farmers for many industrial products have strengthened over the past year. However, prices paid for such commodities as food and feed are below a year ago. The Index of Prices Paid by Farmers for commodities, interest, taxes and wages (parity index) in mid-August was less than 1 percent below August 1954. With grower prices averaging lower, the parity ratio was 84 in mid-August compared with 89 in August 1954. Farmers' receipts from marketings so far this year are down about 4 percent from the first 8 months of last year due to lower average prices; marketings were up slightly.

Agricultural exports increased during July and August to levels well above a year earlier. The volume of exports moving under Government programs probably will continue high. Substantial quantities were authorized but had not been shipped at the close of fiscal 1954-55 and new legislation provides for further expansion of sales for foreign currencies. Generally bouyant economic conditions in foreign countries also will bolster foreign markets for U. S. farm products.

Employment rose in August to a record of 65-1/2 million workers, continuing the uptrend of past months. Unemployment has declined since last spring and in August totaled 2.2 million, 3.3 percent of the labor force. Consumer incomes have increased with the rise in employment and wage rates and consumer buying has expanded to record levels.

With the continued rise in industrial output, employment, and consumer incomes in recent months, it now appears that the Nation's output in the third quarter will exceed record second quarter levels. And current prospects point to some further rise in economic activity. Auto

output probably will be down less than usual in the third quarter and is scheduled to pick up again as 1956 models are introduced. Steel mills were operating at 93 percent of capacity in early September and they are largely booked to capacity with orders through the end of this year. With rising economic activity and increased earnings, businessmen expanded investment in new plant and equipment in the second and third quarters and have scheduled a further increase for the last quarter of this year. Construction activity is holding at record levels though outlays for residential building are beginning to reflect the downtrend in new home starts which began earlier this year. Although home building starts increased in August, some further decline may occur in coming months as the tightening in FHA and VA mortgage terms becomes effective. Combined outlays by Federal, State and local Governments are not likely to change much in the coming year. Possible declines in expenditures by the Federal Government may be largely offset by a continued rise in outlays by State and local Governments.

Commodity Highlights

Slaughter of cattle in August was a record for the month, about 10 percent higher than August last year. Grass and fed cattle marketings will probably remain slightly above last year. Hog slaughter during the rest of 1955 will likely be more than 10 percent above last year; hog prices will probably move seasonally downward and remain substantially below a year ago.

Prices to farmers for milk and butterfat have been a little above a year earlier since April and for the year as a whole probably will average above 1954, though still below 1953.

The rise in egg production this winter will be more gradual than last year; egg prices may rise slightly from recent levels. Broiler production during the late summer and early fall is running about 15 percent above a year earlier. Broiler and turkey prices in early September are both more favorable to producers than at this time in 1954.

The 1955 soybean crop was estimated at 388 million bushels on September 1, a substantial reduction from the August 1 estimate but still the largest of record and 13 percent above last year. Peanut production is estimated at 65 percent above the short crop of last year.

Drought and hot weather reduced the estimated 1955 corn crop by 10 percent during August. But a record supply of corn and other feed grains was still in prospect in early September. Corn prices are likely to average well below the 1955 National support price of \$1.58 per bushel.

Total wheat supplies for the current marketing year are estimated at a record 1,941 million bushels, 65 million above last year. Production, however, was estimated at 6 percent less than in 1954.

The level of fruit prices received by farmers during late summer and early fall is likely to continue under the unusually high level of a year earlier.

Production of a number of important vegetables is expected to total 7 percent below last year and 8 percent below average according to September 1 indications. Supplies of potatoes during the rest of 1955 are expected to be considerably larger than a year earlier. Grower prices during the remainder of the 1955-crop marketing year are expected to continue below those of last fall and winter.

The supply of cotton for the 1955-56 marketing year is estimated at 24.0 million bales, the largest since 1939-40. The carryover on August 1 this year totaled 11.1 million bales, about 1.4 million above a year earlier.

Flue-cured tobacco auctions closed in the Georgia-Florida Belt after receiving a volume of leaf 13 percent above last season. But the proportion of higher grades was greater than last year and the overall price average was the same as last season.

GENERAL BUSINESS CONDITIONS

The national product apparently expanded further in the third quarter from record second quarter rates. Industrial output, employment and consumer incomes have been moving up gradually since June. Businessmen increased expenditures for new plant and equipment in the second and third quarters and have programmed a further expansion for the last quarter. Auto output declined in July and August; some further cutback is expected for September but activity will pick up as 1956 models start coming off the assembly lines in substantial volume. Construction expenditures continued at record levels though outlays for residential construction dipped slightly in August reflecting the downtrend in new housing starts which began earlier in the year. August marked the first month since last February that residential construction expenditures failed to show an increase; however, new home starts increased in August. Retail sales were steady in July and August at levels a little above the second quarter. Employment increased by nearly a half million workers during August to a peak of 65-1/2 million. Unemployment declined by 234,000 in August to 2.2 million persons; this represented 3.3 percent of the labor force, the lowest since November 1953. The Federal Reserve Board's Index of Industrial Production inched up another point in August to 140, (1947-49=100).

Sharp Rise in Consumer
Income; Retail Sales Stable

Consumer income after taxes is running at an annual rate about 3 or 4 billion dollars above the second quarter average of 267 billion and about 6 percent above the third quarter of last year. Increases in wages and salaries have accounted for most of the income rise over the year. Cash dividend payments have also been running much higher than last year; a total of 5 billion dollars paid out through the first seven months of this year was 10 percent above the like period in 1954. Personal income payments (before taxes) in July were at an annual rate of 305 billion dollars, about 1 percent above June and 5 percent above July last year.

Retail sales in July and August remained stable at a level slightly above the second quarter rate. Sales in August were less than 1 percent above April. Though August trade showed no increase over July, volume was 9 percent above August of last year. During July, buying was strong in the apparel, eating and drinking places, general merchandise, and furniture and appliance groups. Some declines during July were recorded for the food and automotive groups but automobile sales recovered sharply during August. About 658,000 new cars were sold in August, compared with 624,500 in July and 684,100 in June.

Credit High Relative
to Income

Consumer credit continues to increase. Short and intermediate consumer credit outstanding rose by 400 million dollars during July with most of the increase in automobile credit. Total consumer credit outstanding has increased by 4 billion dollars over the past year, of which 2.7 billion represents an increase in automobile credit. With new car sales holding firm in August it is probable that the volume of consumer credit outstanding registered another increase. Over the past year, consumer credit outstanding has been rising at a slightly faster rate than consumer incomes. The volume outstanding is currently equal to about 12 percent of disposable personal income compared with 11 percent a year earlier. Although consumer credit outstanding has risen rapidly relative to income since 1948, current ratios are only moderately above prewar levels.

Nonfarm home mortgage debt outstanding rose by 15 billion dollars from mid-1954, when the recent upsurge in residential building began, to mid-1955. Some 8 billion dollars of the gain occurred during the first half of 1955. The rise in mortgage debt outstanding was considerably more rapid than the increase in consumer incomes. Thus ratios of

Table 1.--Consumer debt and mortgage debt in relation to consumer income, 1939, 1940 and 1948 to 1955

Year	Consumer debt		Nonfarm home		Disposable personal income <u>3/</u>
	outstanding 1/		mortgage debt 2/		
	:Percentage of		:Percentage of		
	Total	: disposable	Total	: disposable	
	: income		: income		
	Bil.		Bil.		Bil.
	<u>dol.</u>	<u>Pct.</u>	<u>dol.</u>	<u>Pct.</u>	<u>dol.</u>
1939	7.2	9.8	28.9	39.5	73.1
1940	8.3	10.3	30.0	37.4	80.3
1948	14.4	7.5	50.9	26.5	192.4
1949	17.1	9.2	57.1	30.6	186.7
1950	20.8	9.6	66.7	30.9	216.2
1951	21.5	9.2	75.6	32.5	232.8
1952	25.8	10.6	84.0	34.5	243.3
1953	29.5	11.7	93.3	37.1	251.4
1954	30.1	11.7	105.3	40.8	257.8
1st quarter	28.1	11.1	95.2	37.6	253.1
2nd quarter	28.4	11.2	98.2	38.7	253.9
1955					
1st quarter	29.7	11.4	108.9	41.7	261.0
2nd quarter	31.6	11.8	113.4	42.5	267.1

1/ Installment and other consumer debt outstanding at end of period related to income for last quarter of year or corresponding quarter.

2/ Total at end of period.

3/ Consumer disposable income is for the fourth quarter of each year shown.

debt to income are well above last year and also exceed prewar levels. However, with relatively low interest rates and longer amortization periods, the monthly cost of carrying a given mortgage probably is smaller than in earlier years. Combined consumer and mortgage debt outstanding at the close of 1954 was equivalent to nearly two-thirds of personal liquid asset holdings in the form of currency, demand and time deposits, savings and loan shares and U. S. Government securities. This ratio is well above those of recent postwar years but in 1939 and 1940 debt outstanding was nearly three-fourths of liquid asset holdings.

The downtrend in housing starts in recent months and the possibility of some further decline should slow the rise in mortgage indebtedness in coming months.

Investment Demand

Business Investment To Rise Further

In response to expanding economic activity and larger earnings businessmen increased capital outlays for new plant and equipment to a record annual rate of 29 billion dollars in the third quarter of this year. Total outlays were up 13 percent from the low in the first quarter. Expansion in the second and third quarters was fairly general for most industry groups but largest gains occurred in manufacturing industries, particularly the durable goods industries, commercial companies, public utilities and railroads.

With further expansion scheduled for the last quarter, business investment outlays for new plant and equipment this year may total 4 percent above 1954. Outlays by durable goods industries would be up 5 percent reflecting sizable increases for the iron and steel industry, nonelectrical machinery firms, and the stone, clay and glass industry. Increased outlays for the railroads reflect higher earnings and the initiation of new modernization programs. For other nonmanufacturing industries, gas companies and wholesale and retail trade concerns plan considerable expansion in 1955 compared with last year.

New Home Starts Up in August

Total expenditures for new construction were virtually unchanged from July to August at a rate 8 percent above a year ago. This stability reflected a slight dip in private residential outlays which was offset by continued small increases in other types of construction. New construction of stores and other mercantile establishments showed a sharp increase over the month. This type of activity rose 4 percent during August and is now 56 percent higher than August last year. August was the first month this year that expenditures for residential building failed to increase. New home starts, seasonally adjusted, were down 9 percent from June to July but rose 8 percent in August, back nearly to June levels. The VA has reported that home loan guarantee applications in August reached a 5 year high. Since there is usually a considerable lag between financing and actual construction, tighter restrictions on VA and FHA mortgage lending may contribute to some further decline in the rate of new home starts later this year. However, other types of construction activity--particularly industrial, commercial and highway construction--probably will continue to climb the rest of the year.

Heavy Inventory Buildup Continues

Business investment in inventories rose during July at an annual rate around 6 billion dollars. The increase was somewhat more rapid than in June and compares with the average of 4.3 billion for the second quarter as a whole. The first quarter build up was at an annual rate of 1.5 billion dollars. During the spring increases reflected largely a build up in dealers' stocks of new cars but most of the inventory accumulation during July was in nondurable goods, both at the manufacturing and retail levels. Current inventory gains apparently include a greater range of industries than in the first half of the year.

Review of the 1955-56 Federal Budget

Expenditures for goods and services by the Federal Government are not expected to change much during the coming year. According to the August review of the Federal Budget for 1955-56, expenditures are estimated at 63.8 billion dollars compared with 64.5 billion in fiscal 1955. Scheduled outlays for major national security programs in 1955-56 are down 1.7 billion from a year earlier. However, according to the Budget Review, record levels of spending are planned for some national security activities such as continental defense, guided missiles and atomic energy development.

With higher levels of economic activity and the present tax rate structure, receipts in fiscal 1955-56 are estimated at 62.1 billion dollars, 1.8 billion above fiscal 1955. Most major sources of receipts, except miscellaneous, are estimated higher. Individual income taxes, according to budget estimates, may increase 1.2 billion dollars and corporation income and excess profits taxes may increase by 0.9 billion dollars. These gains reflect higher levels of income and profits.

Estimated receipts and expenditures indicate a budget deficit in fiscal 1956 of 1.7 billion dollars compared with 4.2 billion in fiscal 1954-55. However, total receipts from and payments to the public which consist of a consolidation of budget, trust fund, and other Federal financial transactions, show a small cash surplus of about 0.3 billion for 1955-56 compared with a deficit of 3.0 billion in 1954-55.

Expenditures by State and local governments were at an annual rate of 29.7 billion dollars in the April-June quarter this year, 2.4 billion above a year earlier. With expanding needs for schools, roads, and other facilities, the uptrend in expenditures by State and local governments is expected to continue in the coming year.

AGRICULTURAL EXPORTS AND FOREIGN DEMAND

Agricultural exports during July totaled 255 million dollars, 9 percent below June, but 20 percent above a year ago. The Foreign Agricultural Service estimates that agricultural exports in August totaled about 250 million dollars, 30 percent more than a year earlier. These increases from last year were due principally to larger shipments of food and feed grains, tobacco and some fats and oils under government programs. However, cotton exports were about a third as great as in July and August 1954.

The volume of exports moving under various Government programs probably will continue high. Substantial quantities authorized under Government programs but not shipped at the close of fiscal 1954-55 will help to maintain exports in coming months. In addition to agreements already negotiated, new legislation provides for a further expansion of sales for foreign currencies. Generally buoyant economic conditions in foreign countries also will bolster exports. The expansion of world trade, the more satisfactory balance in the payments position of many countries and the continued increase in overall foreign gold and dollar holdings, have led to steps in Western Europe and elsewhere to relax trade and financial restrictions on United States imports. Continuing high levels of United States merchandise imports and Government expenditures abroad are contributing to the improvement of world trading conditions.

Table 2.- Value of government financed agricultural exports
fiscal years 1952-53 through 1954-55

Type of Financing	1952-53	1953-54	1954-55 *
	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>
<u>GRANTS</u>			
Regular foreign aid programs	376	250	175
Special relief programs	1	107	85
Army Civilian supply programs	58	24	-
USDA donations ^{1/}	---	67	130
<u>LOANS</u>			
Export-Import Bank	62	113	70
Other	34	--	--
<u>FOREIGN CURRENCY SALES</u>	--	116	351
<u>TOTAL FINANCING</u>	<u>532</u>	<u>677</u>	<u>811</u>
Percent of total exports	19	23	26

^{1/} Export value

* Preliminary

The value of agricultural exports financed by Government grants, loans and foreign currency sales increased during the fiscal year ended June 30, 1955. Exports financed by the above programs amounted to more than 800 million dollars, or 26 percent of total agricultural exports (table 2). Foreign currency sales and USDA donations exceeded in value direct economic aid grants for agricultural products for the first time.

Furthermore, total exports in fiscal 1954-55 were also swelled by expanded Government barter activity. Deliveries to contractors under barter totaled 125 million dollars or an additional 4 percent of total exports. Wheat was the major commodity involved; the exchange value of wheat moving under barter totaled a fourth of total wheat exports.

Output and Employment

Industrial activity continued its upward trend in August. According to preliminary estimates, automobile output declined by approximately 9 percent during August, slightly more than seasonally. Steel production has recovered from the brief stoppage at the end of June. By early September mill activity was near the peak levels of June. Mills are largely booked with orders through the end of the year.

The Federal Reserve Board's index of industrial production, after remaining unchanged from June to July, rose one point during August to 140. Most of the increase over the month was among the durable manufacturing industries, particularly primary metals which spurted upward by 5 percent during August. This movement was largely a reflection of

Table 3.—Indexes of industrial production, specified groups, January and August for 1953-55, adjusted for seasonal variation

Group	(1947-49=100)					
	1953		1954		1955	
	Jan.	Aug.	Jan.	Aug.	Jan.	Aug.
Industrial production....	134	136	125	123	132	140
Durable goods.....	154	157	141	135	145	158
Primary metals.....	135	137	111	105	127	141
Nondurable goods.....	117	119	113	114	121	126
Major consumer durable						
goods.....	138	142	119	125	145	173
Autos.....	137	150	133	121	160	194
Major household goods...	140	136	108	131	133	157

the recovery from the steel stoppage at the end of June; the pick up during July was slow. Production of nondurable goods was unchanged over the month and still about 2 percent below June. Output of the Nation's mines also held steady from July to August, about 2 1/2 percent below June. Consumer durable goods output declined slightly from peak July levels. Most of the small decrease was due to a greater than seasonal decline in automobile production. Output of other types of consumer durables was unchanged.

Manufacturers' sales and new orders both declined during July after seasonal adjustment. Manufacturers' sales in July totaled about 1 percent below June, due to a decline in nondurable goods industries. Sales of durable goods were unchanged. During July, new orders were down with declines fairly general. Durable goods declined 4 percent and non-durables 3 percent.

Employment at New Peaks

During this past summer there has been a rapid and sustained rise in employment. After a fairly slow pickup earlier this year in response to rising economic activity, employment rose to a record of 64 million jobs in June. A million more workers were added in July and another half million in August, expanding total employment to 65 1/2 million workers. Unemployment declined to 2.2 million workers compared with a level of 3.3 million at the beginning of the year. Most of the increase in employment in August was in agriculture and was seasonal. Nonagricultural employment was virtually unchanged over the month. Manufacturing employment showed a slight decline as reduced employment in durable goods manufacturing offset a slight rise in employment in nondurable goods industries. The average factory work week lengthened seasonally from 40.4 to 40.8 hours during August.

The Agricultural Marketing Service series on farm employment rose about 4 percent from the end of July to the end of August, about the usual for the month. The change reflected a substantially larger than seasonal increase in family labor and a less than usual rise in hired labor. Family labor was up 5 percent over the month while the number of hired workers increased 1 percent.

Commodity Prices

During August, as in previous months, nonfarm wholesale prices crept up steadily while average prices of farm products and meat declined. The average for all commodities remained stable. During July and August the divergent trends in agricultural and industrial price movements became accentuated. By mid-September, wholesale prices for all commodities other than farm and food averaged about 2 percent above the beginning of the year while the farm products index was 3 percent lower and the processed foods group was down 1.5 percent.

Table 3.- Indexes of wholesale prices, selected groups,
September 13, with comparisons

(1947-49=100)

Group	:	:	:	September 13, 1955 per-		
	:	Sept. 13:	Aug. 2:	Jan.	centage change from	
	:	1955	1955	1955	Aug. 2	Jan.
	:	:	:	:	1955	1955
All commodities	:	111.4	110.1	110.1	1.2	1.2
Farm	:	89.5	87.2	92.5	2.6	-3.2
Food, processed	:	102.2	101.1	103.8	1.1	-1.5
Other than farm	:					
and food	:	117.9	116.7	115.2	1.0	2.3
	:					

The Consumer Price Index for urban consumers inched up 0.3 percent during July to 114.7 (1947-49=100). As in the previous month, the rise in the index was due chiefly to a seasonal increase in the food price index though other sub-indexes except those for transportation and apparel, also rose slightly. Even with the rise, the food index was still 2 percent below July a year ago. Substantial seasonal hikes in prices of eggs and fresh fruits and fractional increases in a wide range of other food items more than offset lower prices for fresh vegetables, poultry, lamb, some cuts of beef, and watermelons.

Prices Received and Paid by Farmers

The Index of Prices Received by Farmers declined 2 percent from mid-July to 233 (1910-14=100) in mid-August - 6 percent below August last year. Higher prices over the month for eggs, milk, strawberries and cotton only partly offset declines for hogs, beef cattle, wheat, tomatoes, peaches, and corn. The livestock and products index as a whole was unchanged over the month while the all crops index was down 10 points.

Prices Paid by Farmers for commodities, interest, taxes and wage rates (the parity index) declined about 1 percent from July to August and was about 1 percent below a year earlier. Declines in food prices reduced the index of prices paid for family living items one point. Lower prices for feed and feeder livestock also reduced the index of production items by one point. This was the fifth consecutive month in which lower prices were recorded for farm production items, largely because of lower costs for feed and feeder livestock. With declines in both prices received and prices paid, the parity ratio remained unchanged at 84 from July to August but was 6 percent below August last year.

Prices on selected central markets of most food and feed grains strengthened from mid-August to mid-September. Wheat, No. 2, Hard Winter, at Kansas City and corn, No. 3, Yellow, Chicago, were both up about 2 percent over the month. At Minneapolis, oats No. 2, White, rose 5 percent, barley, No. 3, 4 percent, and rye, No. 2, 8 percent. Among the livestock products, hogs at Chicago held firm while slaughter steers rose 3 percent and slaughter cows, utility, declined 5 percent. Mid-western eggs were up more than 20 percent with most of the increase occurring in the second week of September, but broilers at Del-Mar-Va were down 13 percent.

FARM INCOME

Farmers' total cash receipts from marketings in the first 8 months were 16.7 billion dollars, down 4 percent from the corresponding period of 1954. While the volume of marketings has been running slightly above last year, prices averaged lower. Receipts from livestock and products at 10.4 billion dollars, dropped nearly 6 percent with lower average prices pushing cash receipts from hogs down a fifth. Dairy products were up about 1 percent from last year. Receipts from poultry and eggs, however, were approximately at the same level as a year ago. Crop receipts of 6.3 billion dollars were about 1 percent below last year. Declines in receipts from wheat, corn, cotton, cottonseed, and peaches more than offset increases for grain sorghums, tobacco, pears, strawberries, oranges, potatoes, and truck crops.

Total cash receipts in August were about 2.4 billion dollars, up seasonally from July but down 2 percent from August of last year. Receipts from livestock and products of 1.4 billion dollars registered a gain of 16 percent over July and an increase of 2 percent over a year ago. Cash receipts from hogs, cattle, calves, sheep and lambs, milk, eggs, and turkeys were well above July and all but hogs and turkeys were larger than in August 1954. Crop receipts in August were around 1.0 billion dollars, 20 percent more than in the previous month because of larger receipts from cotton, tobacco, potatoes, and truck crops. They were below August of last year, however, because of declines in receipts from wheat, corn, cotton, and potatoes.

LIVESTOCK AND MEAT

Seasonally large marketings of meat animals and a continued abundance of meat will dominate the livestock situation for the rest of the year. Slaughter of cattle in August was a new record for the month, up about 10 percent from August last year. It was made up of liberal supplies of fed cattle and many cows and other cattle off grass. Marketings of fed cattle will probably remain above a year earlier by a modest margin. Grass cattle marketings may equal or slightly exceed last year.

Slaughter of hogs in August was about 15 percent larger than last August. Slaughter the rest of 1955 will likely average more than 10 percent above last year since 9 percent more spring pigs were saved this year. Since spring farrowings were earlier this year, marketings will probably be a bit earlier. Increased marketings may be greatest in September and October.

Prices of hogs during the remainder of this year will probably move downward seasonally and continue substantially below a year earlier.

Heavy marketings of cattle prevented any seasonal rise in prices of fed cattle through August. Some increase still seems likely this fall. Prices of stockers and feeders have declined moderately and in early September were only a little above a year before. Feeder prices are especially sensitive to the changing condition of the corn crop this year. The 364 million bushel reduction in the corn harvest as of September 1 from the August 1 indication removed some of the demand in the feeder cattle market. No major changes in feeder prices seem probable the rest of the fall.

Lamb prices were fractionally above a year earlier in early September. Sheep and lamb slaughter are averaging about the same as last year and prices this fall are expected to stay at around last year's levels.

DAIRY PRODUCTS

Prices to farmers for milk and butterfat have been a little above a year earlier since April, 1955 and for the year as a whole are likely to average slightly above 1954 though somewhat below 1953. Milk prices in July and August were above average in relationship to feed prices for the first time in those months since 1952. The ratios of milk and butterfat prices to prices of beef cattle and hogs also are above 1954, though still somewhat below the long-time average.

Improvement in milk and butterfat prices is partly the result of a greater utilization of milk in fluid outlets. In a number of fluid milk markets, the improved supply-demand balance and higher prices for manufacturing milk have been reflected through pricing formulas in higher class I prices.

Retail prices for fluid milk, butter and cheese are a little above a year earlier, while prices for evaporated milk and ice cream are slightly lower.

The decline in use of milk in manufacturing this year has been accounted for mainly by reduction in output of butter and cheese. This, together with some increase in consumption and greater storing by private firms in the current marketing year has been accompanied by a reduction of 30 percent in purchases for price support from a year earlier. Disposition of price support stocks has been considerably in excess of purchases, mainly as a result of increased donations to both domestic and foreign recipients.

Production of milk was slightly less than a year earlier in the first 4 months of the year, but has been running a little larger since. For the first 8 months of 1955, production totaled 87.8 billion pounds, nearly the same as a year earlier. For 1955 as a whole, production will at least equal the 123.5 billion pounds of 1954. With the large feed supplies in prospect, and more favorable price relationships for dairying, production of milk may be expanding by the end of 1955 or early 1956.

POULTRY AND EGGS

Egg quotations in mid-September were near the peak of the season to date, and in many instances 10 to 15 cents per dozen higher than at the same time in 1954. The mid-August average price received by farmers of 39.4 cents per dozen compared with 37.4 a year earlier--the peak monthly price for 1954.

Production in the remaining months of 1955 will not rise as much from late-summer levels as it did in 1954. Although production has likely passed the seasonal low point and is now rising seasonally, the rise will be more gradual than last year and there will be fewer small eggs in the total. Also, quality is improving seasonally. As a result, further slight rises in average egg prices are possible, and in any event the egg price level is likely to be better sustained than in the fall of 1954.

Broiler prices in early September continued well above 1954, although slightly below recent monthly averages. At 26 cents per pound on the Del-Mar-Va peninsula, broilers in the second week of September were 1.4 cents below mid-August, but 2.8 cents higher than in the corresponding week of 1954. The number of broilers recently marketed and those now approaching marketing age exceed last year in almost every specialized area. U. S. production during the late summer and early fall is about 15 percent above a year ago. At least a third of this increase is offset by the smaller marketings of young by-product cockerels from farm flocks.

Turkey prices also are more favorable to producers than at this time in 1954. In the first week of September, farmers in the Central Valley of California sold heavy breed toms at 28 cents per pound compared with 24 cents a year earlier, and 23 to 24 cents during most of the main season in 1954. Because there are fewer early season turkeys this year than last (heavy-breed hatchings to May 1 were 13 percent below 1954), large supplies will not put pressure on turkey prices for another month or so. Later in the season, however, slaughter of heavybreed turkeys will increase about up to the 1954 level.

In recent months, poultrymen not only have received somewhat higher prices for their products, but have paid lower prices for feed, their principal item of expense. The U. S. average price of poultry ration in mid-August was \$3.54 per 100 pounds, compared with \$3.90

in mid-August 1954. The egg-feed, broiler-feed, and turkey-feed price ratios (the quantity of feed that could be bought with the value of a unit of product) were respectively 15, 17, and 18 percent higher than a year ago.

OILSEEDS, FAT AND OILS

Supplies of food fats in the marketing year beginning October 1, 1955 will be about as large as the year before. Increased output will offset a sharp reduction in beginning stocks. More soybean oil and lard and less cottonseed oil will be produced. The 1955 soybean crop is the largest of record, reflecting peak plantings and good yields. The number of hogs saved has been rising the past two years and slaughter has correspondingly increased. Cottonseed production this year is expected to be down about 7 percent because of the smaller cotton crop.

Prices received by farmers for 1955 crop cottonseed probably will average above the CCC purchase price of \$42 per ton basis grade (100) but less than the \$60 received for the 1954 crop. The total value of the cottonseed products from a ton of seed is down from a year ago and is expected to continue lower at least through the winter.

Production of peanuts is up 65 percent from the small crop of a year ago and the largest since 1950. Supplies in 1955-56 again will be plentiful in contrast with the short supply of the year before. With substantial quantities moving under support programs, prices are likely to average near the loan rate which is about one-half cent less than support. The loan rate is the support price less charges for storage, inspection and expense of the cooperatives that market the peanuts. The national average support price is 12.2 cents per pound.

Soybean supplies (production and beginning stocks) are estimated at about 395 million bushels in 1955-56 while total domestic use may run about 300 million. Consequently about 95 million bushels would be available for export and carryover stocks. This would be about 45 percent more than the peak of the year before. Mainly because of lower prices, exports are expected to rise well above the 1954-55 peak of about 60 million bushels, and stocks on October 1, 1956 are not likely to be excessive.

CORN AND OTHER FEEDS

Prices of all feed grains declined from July to August with the mid-August index 15 percent lower than a year earlier and the lowest since March 1950. This was the usual seasonal pattern for oats, barley, and sorghum grains, but corn prices usually rise to a seasonal peak in August. The mid-August price of \$1.30 per bushel was the lowest so far this season, and 23 cents lower than a year earlier. Since mid-August, corn prices have made some recovery, but some further decline may occur when the bulk of the crop is harvested this fall. Prices are expected to average well below the 1955 National average support of \$1.58 per bushel. Lower corn prices this year reflect the larger corn supply and also the fact that many producers have again over-planted their acreage

allotments, and are not eligible for price support. With big crops of oats, barley, and sorghum grains being harvested, prices of these grains declined below the 1955 support in mid-August and were lower than usual in relation to corn.

Prices of high-protein feeds have been comparatively stable in recent months averaging about a fourth lower than a year earlier. The price of soybean meal has remained low in relation to most protein feeds this summer, reflecting the currently large production of soybean meal and prospects for heavy production in 1955-56. Lower feed prices in August resulted in more favorable livestock product-feed price ratios for dairymen and poultry producers than a year ago. The hog-corn ratio in August was less favorable than a year ago, but was near the long-term average for that month.

While the corn and sorghum grain crops were reduced sharply by hot, dry weather during August, a record supply of feed grains and other concentrates was still in prospect in early September. The total supply of all feed concentrates is now estimated at 195 million tons, 9 percent larger than the record supply last year and 13 percent above the 1949-53 average. The supply appears sufficient to meet the increasing requirements of livestock, and leave a little larger carryover at the close of the 1955-56 season.

The total production of feed grains was estimated in September at 129 million tons, 7 million more than in 1954, but 6 million below the record of 1948. The carryover into 1955-56 is expected to total about 40 million tons, 8 million larger than the previous record of last year. The corn supply is now estimated at 4,163 million bushels, including a 3,113 million bushel crop and an expected October 1 carryover of 1,050 million bushels. Supplies of each of the other 3 feed grains are at record levels, as a result of large acreages, generally high yields, and record carryover stocks.

WHEAT

Cash wheat prices at St. Louis and Kansas City on September 16 were 7 and 9 cents, respectively, above the low levels reached in late August. Prices of No. 1 Dark Northern Spring, ordinary protein, at Minneapolis, however, were about 17 cents above the low reached the middle of August. These increases are chiefly seasonal. The peak in the movement of winter wheat to market occurred in July and the peak for spring wheat was reached in mid-August when the national average price received by farmers was \$1.90 per bushel, 7 cents below a month earlier and 13 cents below a year ago.

On September 17 the price of No. 1 Dark Northern Spring Wheat at Minneapolis, ordinary protein, at \$2.40, was 8 cents above the effective loan (\$2.41 less storage allowance of 9 cents), and at Portland, No. 1 Soft White, at \$2.17, was 2 cents below the effective loan. However, the price of No. 2 Hard Winter Wheat, ordinary protein, at Kansas City, at \$2.13, was 15 cents below the effective loan and No. 2 Soft Red Winter at St. Louis, at \$1.96, was 32 cents below.

The price of spring wheat has been favorable relative to the loan despite recent heavy movement. The spring wheat carryover on July 1 was less than a year earlier, while the carryover of hard red winter was substantially above the very large carryover in 1954. Recently there has been an increase in mill buying, mainly for the family flour trade. Movement of hard and soft winter wheat is now extremely light, following the heavy flour business on July 11 and 12.

Exports of wheat for July and movement based on inspections for export August 1 through September 9, indicated total wheat grain exports through mid-September at 48 million bushels this year compared with 37 million bushels for the same period a year ago. Flour exports in July were the equivalent of 3.6 million bushels this year compared with 3.3 million a year earlier.

FRUIT

Supplies of most fruits during early fall are expected to be somewhat heavier than a year earlier. Among deciduous fruits of which fresh sales are heavy in the fall, larger crops are in prospect this year for fall and winter pears, grapes, and cranberries. Even though the U. S. commercial apple crop is a little smaller this year, production is up in a number of States in the Northeast and Northwest that store heavily for sale in fall and later in the season. Supplies of old crop California Valencia oranges are expected to continue larger than last fall.

With heavy marketings from increased supplies of fruit since mid-summer, the index of prices received by growers for fruit in August declined from the July level and dropped about 9 percent under a year earlier. The level of prices during late summer and early fall is likely to continue under the unusually high level of a year earlier. The effect of heavier supplies of fruit probably will outweigh the influence of stronger consumer demand.

Total production of deciduous fruits was estimated as of September 1 to be about 4 percent larger than in 1954. Much of the increase consists of California grapes, of which production is up about 25 percent. With a small increase in the walnut crop more than offset by large decreases in almonds, filberts, and pecans, total production of these four tree nuts is expected to be about 5 percent under that of 1954. The pecan crop is light for the second successive year. In early September, prospects for the new citrus crops were good to excellent in Florida and California but only fair to good in Texas and Arizona.

Available figures on 1955 packs completed early in the season show substantial increases over 1954 in the packs of canned and frozen sour cherries and California canned sweet cherries and brined cherries. Cold-storage stocks of frozen deciduous fruits and berries increased seasonally during August and on September 1 totaled about 15 percent larger than a year earlier. But stocks of frozen orange juice, mostly concentrate, were about 6 percent smaller, and stocks of Florida canned citrus juices held by packers were about 50 percent smaller.

The U. S. Department of Agriculture on September 15 announced a program to assist raisin producers in California. The purpose will be to assist in the disposition of Natural Thompson Seedless raisins held in a surplus pool; other types may be included in the program if it is necessary to establish surplus pools. Payments will be made only in the event that grower returns on raisins exported are less than 80 percent of returns from the domestic market but with payments not to exceed \$20 per ton.

COMMERCIAL VEGETABLES

For Fresh Market

Production of a number of important vegetables to be harvested for fresh market sale this fall is expected to total 7 percent smaller this year than last, and 8 percent below average, according to September 1 indications. In addition, supplies of onions are likely to be somewhat smaller than a year earlier because of the 11 percent smaller late-summer crop. With demand expected to hold up well and supplies moderately smaller, grower prices for fresh vegetables are expected to average at least equal to those received last fall if marketings follow a normal seasonal pattern.

Among the fall crops for which September 1 indications are available, increases over last year are in prospect for the early-fall output of snap beans, cauliflower, cucumbers, and tomatoes. These increases are expected to be more than offset by smaller early-fall crops of cabbage, carrots, celery and lettuce. Decreases were also indicated for the fall crop of lima beans and the late-fall crop of carrots.

For Processing

Reports on growing conditions as of September 1 point to a total tonnage of 9 important processing vegetables about 2 percent larger than both that of last year and the 1944-53 average. The heavier output in prospect for the commercial processing crops of green peas, pimientos and tomatoes, and this year's much larger crop of winter and spring spinach are expected to more than offset reduced production indicated for kraut cabbage from contracted acreage, lima beans, snap beans, and sweet corn. Even if the total pack of commercially processed vegetables is larger this year than last, supplies during the 1955-56 marketing year probably will not differ substantially from those during 1954-55 because of the lower carryover stocks. As of mid-1955, carryover stocks of the 5 major canned vegetable items (snap beans, green peas, corn, tomatoes and tomato juice) were almost 12 percent smaller than a year earlier. For frozen vegetables, cold-storage holdings on July 1 were down 7 percent from those on the same date in 1954.

POTATOES AND SWEETPOTATOES

Supplies of potatoes during the coming months of 1955 are expected to be considerably larger than a year earlier. Indications as of September 1 point to a 1955 crop of 313.5 million bushels in the "late-States" group this year, 9 percent more than that harvested in 1954 and about equal to the 1944-53 average. The prospective increased output in the eastern and western regions this year as compared with 1954 are expected to much more than offset the decline in the central region.

Civilian consumption of potatoes during the coming fall and winter months is expected to be close to that of a year earlier. With supplies large, prices received by growers for potatoes during the remainder of the 1955-crop marketing year are expected to continue below those of last fall and winter. Grower prices in August averaged 75.2 cents per bushel, a little more than half that received a year earlier and the lowest for the month since 1941.

On August 26 the Secretary of Agriculture announced a program under which the Federal Government would make supplementary payments to farmers for 1955-crop potatoes diverted to starch, flour and feed. This program, together with orderly marketing of tablestock potatoes under the marketing agreement orders in effect in most of the important producing areas, will have some bolstering influence on prices farmers receive for 1955-crop potatoes in the coming months.

The 1955-crop of sweetpotatoes was estimated as of September 1 at 36,137,000 bushels. This is 21 percent larger than last year's very small crop, but 23 percent below the 1944-53 average. New Jersey is the only State for which a smaller crop than last year's was indicated.

Prices received by farmers for 1955-crop sweetpotatoes are expected to average lower than those received for the 1954 crop because of the larger supplies. Prices will be seasonally lowest in the fall months during and shortly after the peak harvesting period. Thereafter, prices may strengthen seasonally.

COTTON

The supply of cotton in the United States for the 1955-56 marketing year is estimated at about 24 million bales, 0.5 million more than the 1954-55 supply and the largest since 1939-40. This is the fifth consecutive year in which supply is larger than a year earlier. Although the 1955 crop, estimated as of September 1 at about 12.8 million running bales, is 0.8 million bales smaller than in 1954, the August 1 carryover of 11.1 million running bales was about 1.4 million bales above August 1, 1954.

Most of the increase in the 1955 beginning carryover occurred in CCC holdings. Quantities of cotton owned by CCC and pledged as collateral against outstanding loans were up about 1.1 million bales from the 7.0 million held on August 1 last year. Stocks in consuming establishments at the start of the 1955 marketing year totaled about 1.4 million running bales, 0.2 million bales larger than a year earlier.

The average price for Middling 15/16 inch cotton at the 14 spot markets in August was 33.58 cents per pound, 0.47 cents below the price a year earlier and 0.17 cents below the average 1955 support price for this quality in these markets. The high for the month of 33.74 cents per pound was reached on August 2 and the low of 33.45 cents on August 10. On September 16 the price was 32.90 cents per pound.

Prices received by farmers for upland cotton in mid-August averaged 32.74 cents per pound, highest since mid-November 1954. A year earlier these prices averaged 34.00 cents per pound. The August 1955 average price was 93 percent of the parity price, compared with 97 percent in August 1954.

WOOL

Prices of wool at the opening auctions of the 1955-56 Australian selling season ranged from 15 to 20 cents per pound, clean basis, or 10 to 15 percent below the closing 1954-55 prices of last June.

Boston quotations for most domestic descriptions early in September were a little lower than a month earlier. The national average incentive level for shorn wool for the marketing year beginning April 1, 1956, will be 62 cents per pound, grease basis, the same as for the current season. The average of prices received by growers at mid-August, 42.8 cents per pound, grease basis, compared with 44.0 cents a month earlier and 53.8 cents a year earlier.

It has been announced by the U. S. Department of Agriculture that effective November 1 wool owned by the CCC will be marketed on a competitive bid basis. Monthly sales will be limited to a quantity not in excess of 1/24 of the inventory on hand as of November 1, 1955.

World consumption of wool during the second quarter of this year is estimated by the Commonwealth Economic Committee to have been about the same as during the previous quarter but about 2 percent above a year earlier. Consumption of other materials by the wool textile industry was up about 10 percent from a year earlier. Consumption of wool during the first half of the year is estimated to have been about 3 percent above January-June 1954. The higher level reflects increases in Germany, United Kingdom, and the United States.

Domestic mill use of apparel wool during January-July was about 5 percent above that of the same months of last year. However, the rate was slightly below a year earlier during both June and July. Mill use of carpet wool during January-July was up about 11 percent from a year earlier and the July rate was up 21 percent.

Imports of dutiable wool for consumption during the first half of this year were about 8 percent larger than early last year. The quantity during June, the latest month for which information is available, was a little lower than a year earlier. Imports of duty-free wool during the first half of the year were up 23 percent from January-June 1954.

A promotion program for wool and lambs has been made effective following a referendum, the results of which favored approval. The program provides for advertising, promotion, and related market development activities under Section 708 of the National Wool Act of 1954.

TOBACCO

Flue-cured tobacco auctions are closed in the Georgia-Florida Belt after receiving a record volume of leaf--nearly 13 percent above last season. Prices for most individual grades were lower but, with a larger proportion of better grades, the overall price average at 46 1/2 cents per pound was the same as last season. Prices in the South Carolina-Border North Carolina Belt have averaged 54.2 cents through mid-September--3 percent above last season when the general quality in this belt was not nearly as good as this year. Prices in the Eastern North Carolina Belt through mid-September averaged 49.3 cents--7 percent below the comparable period of last year. The Middle Belt auctions opened September 8; for the first 7 days, sales prices averaged 51.9 cents per pound--5 percent lower than in the corresponding period of last season. The last markets to open were those in the Old Belt with sales beginning September 22. A large volume of flue-cured from this year's record crop has gone under Government loan.

The 1955-56 total supply of flue-cured is at a record level and burley supplies are only a little lower than the 1954-55 high. Disappearance of both kinds is expected to increase in 1955-56--especially flue-cured, because of the boost in exports due to sales for foreign currency under P. L. 480. Flue-cured usually accounts for 80 to 85 percent of the total export of all types.

In the first half of 1955, the production of cigarettes and smoking tobacco (mainly for pipes) were both 3 percent above the first half of 1954. Tax-paid consumption of cigars has also increased a little.

Floods and storm damage in the Connecticut Valley caused heavy damage to the Broadleaf, Havana Seed, and shade-grown wrapper types. Quality of the crop harvested after the storm will tend to be poor. The September 1 crop estimates for the Broadleaf, Havana Seed, and shade-grown wrapper in the Connecticut Valley were 12, 8 1/3, and 19 percent below the corresponding August 1 estimates. Compared to last year's harvest, the Broadleaf crop may still be 5 or 6 percent larger, but the Havana Seed and shade-grown wrapper crops are approximately 6 and 16 percent smaller, respectively.

The 1955 Maryland tobacco crop was seriously hurt by storm damage and the September 1 estimate was nearly one-fourth lower than the August 1 estimate. Although the crop may fall 22 percent below the 1954 harvest, carryover from previous crops is at a record high.

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